

Do Macroeconomic and Global Factors Affect the Term Spread of 10-Year Sovereign Bonds: Evidence from India

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Abstract: This study investigates the role of macroeconomic and global determinants on the 10-year term spread of Indian government bonds from 2004 to 2025. The ARDL technique and the FMOLS model were used to confirm the presence of cointegration in the long run. This study helps distinguish which macro factors affect the term spread of 10-year government bonds in the long- and short-run. The findings revealed that crude oil, stock market performance, money supply, government borrowings, and US_TB have a positive and significant impact on the term spread in the long run. The short-run dynamics indicate that BSE 200 returns, the repo rate, and the U.S. TB, crude oil, and WPI significantly affect term spreads across multiple maturities. Thus, the findings imply that the variables behave differently in the short and long run, providing sufficient grounds for policymakers to cautiously design macroeconomic policies affecting term spread.

Keywords: Term Spread, Monetary Policy, Macroeconomic Determinants, Cointegration

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